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CURRENT INTELLIGENCE WEEKLY



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OFFICE OF CURRENT INTELLIGENCE

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THE SOVIET WORLD

In a statement to the press on 15 January, the Soviet Foreign Ministry attempted to give new impetus to the Communists' lagging campaign against ratification of the Paris accords. The statement shifted the main attack from the Mendes-France government in Paris to the Adenauer government in Bonn where the Bundestag debate is drawing near.

While reiterating the warning that the Paris accords "could only continue the division of Germany" and force new security measures in the Orbit, the USSR made two new, if somewhat contradictory, promises--that rejection of the Paris accords could bring both German unity and the establishment of the Soviet-West German diplomatic ties.

A suggestion that free elections would be held under some undefined international system of observation was so carefully qualified with escape clauses as to be unconvincing. Although the previous demands for withdrawal of occupation troops and establishment of a provisional government prior to elections were omitted, the wording of the statement did not preclude the reintroduction of these demands at any time.

The offer to establish diplomatic relations with Bonn appeared to have a long-run purpose of strengthening suspicions among Chancellor Adenauer's opponents that bilateral negotiations with Moscow provided the surest path to German reunification, and that lasting commitments to the West must be avoided. Another example of Moscow's campaign to undermine Adenauer was the recently revealed Soviet attempt to promote negotiations with the opposition Social Democrats and the coalition Free Democrats on the return of prisoners of war from the Soviet Union.

In Austria and Berlin, where threatening Soviet gestures have been expected, they still have not materialized. Some groundwork has been laid, however, for harassing actions designed to worry the West about the prospect of Austrian partition, and a propaganda campaign has begun which warns that Austrian unity is in danger. The campaign has been highlighted by a Communist-front call for a conference in March on Austrian "independence and unity." Soviet officials in a series of Allied Council meetings have charged that the West and the Austrian government are taking steps to remilitarize Western Austria. At a 14 January meeting they pointed ominously but vaguely to the "grave consequences" of such a move.

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In Berlin a number of steps have been taken in the last month to control travel and particularly to prevent the carrying of goods between the East and West sectors, but more drastic Communist measures in and around the city, often rumored as likely, have failed to materialize.

From Moscow the American embassy reports a decline since mid-December in war-scare propaganda directed at the domestic audience and surmises that the Kremlin is concerned over growing popular uneasiness, war rumors, and the first signs of food hoarding. 25X1



In support of the Communist world's alleged emphasis on peaceful uses of atomic energy, the Soviet Foreign Ministry made two dramatic announcements last week. On 14 January a statement was released that the USSR would submit a report on a Soviet atomic power station, allegedly in operation since last summer, at the UN-sponsored world conference on the atom to be held next August. On 17 January the USSR announced that it had offered fissionable material together with scientific and technical aid to five Orbit states for the purpose of developing nuclear energy for peaceful uses. Moscow appeared to be trying to regain the initiative it lost last fall when the UN unanimously supported the United States atomic pool plan, and is perhaps preparing to introduce a rival "atoms-for-peace" plan.

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THE SOVIET POSITION ON THE FORMOSA ISSUE

Recent official Soviet statements, propaganda and diplomatic activity dealing with Formosa give the impression that the USSR is strengthening its political backing of Chinese Communist claims to Formosa and is intensifying attempts to separate the United States from its allies on this issue. In no case, however, has the USSR committed itself to participate in a military campaign for the island.

Moscow's initial reaction to the "Liberate Formosa" campaign, accelerated by Peiping in July 1954, was limited to factual repetition of Chinese statements. In late August, however, the Kremlin began to take up the theme that the Formosa problem was an internal Chinese affair from which the United States should withdraw in order to lessen international tensions. Since Khrushchev's visit to Peiping in late September, Moscow has been giving increasing attention to the Formosa issue.

Moscow's increased attention to Formosa has been accompanied by a greater emphasis on Sino-Soviet solidarity. Soviet propaganda, a Foreign Ministry statement of 15 December, and a newspaper article by presidium member Voroshilov on New Year's Day indicate that the USSR has accepted Peiping's insistence on the need for a common struggle against American "aggression." In his article Voroshilov gave the first acknowledgment by a Soviet official of Chinese pledges at the Moscow rump conference on European security to join in a common struggle against "aggression" in Europe as well as Asia. However, the Soviet government still makes no mention of the Sino-Soviet alliance in relation to Formosa.

On the diplomatic front, the USSR has used various channels to express a moderate position on issues involving Formosa, the United States, and Communist China, apparently in an attempt to separate the United States from its allies. The Kremlin probably does not want to be isolated as it was at the outbreak of the Korean war after its six-months' boycott of the UN. Soviet officials have utilized the UN as a forum to give their most bellicose play to American "aggression" in this situation. They have, however, expressed their concern over Formosa in diplomatic circles, and at various official functions Soviet leaders have avoided supporting Chinese pledges to liberate Formosa militarily.

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The posture which Moscow would apparently like to present is that of an impartial observer, devoted to diplomatic means to settle disputes, who has been drawn by the legal merits of the case to support an ally's claim to Formosa. By this tactic the USSR may be attempting to alienate the United States from its allies and world public opinion, hoping in this way to create a situation which would permit the Chinese to undertake a campaign against Formosa with a minimum risk that the United States would spread the war to the Chinese mainland.

The nearest thing to a formal Soviet commitment to the Chinese on the Formosa issue has been given in two official statements: Khrushchev's speech in Peiping on 30 September and the Soviet Foreign Ministry statement on 15 December backing Communist China's demands for American withdrawal from Formosa. In both, however, there is still a distinction between the legal claims which are fully backed by the "Soviet government" and the actual goal of "liberation" with which the "Soviet people" sympathize. In Moscow a Soviet censor underscored this distinction to an American correspondent.

In defense of the legal claims, Moscow has described the United States security pact with Chiang and the presence of the Seventh Fleet as a violation of Chinese sovereignty and territorial integrity and an unwarranted interference in China's internal affairs. On the basis of such statements, Moscow can later claim that a Formosan liberation campaign--like the one in Indochina--would be a "peaceful" move of legitimate self-determination.

The USSR apparently is particularly anxious to present a picture of a harmonious working relationship with its Asian partner, and is possibly preparing to give greater encouragement to Peiping's campaign for Formosa.

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SECRET**JAPANESE ELECTION INTENSIFIES MOVES FOR JAPAN-ORBIT RELATIONS**

Top Japanese officials, in order to gain political support in the national election scheduled for late February, have given voice to popular sentiments by expressing a desire for improved relations with the Communist Orbit. The quick response of Moscow and Peiping to these expressions has brought the restoration of diplomatic relations one step closer.

Prime Minister Hatoyama and his colleagues in the Japan Democratic Party, who came to power on 9 December with a minority both in the Diet and among the conservative parties (see chart, p. 10), immediately seized on Japanese-Orbit relations as a vote-getting issue, promising to make more positive efforts than those of the Yoshida administration toward restoring normal relations with the Communist nations. Recently Hatoyama even went so far as to claim American approval for his position.

The USSR reacted immediately, not giving the Hatoyama government time to retract or alter its professions of willingness to regularize relations with the Orbit. A Soviet commentator claimed in a broadcast on 14 December that the Sino-Soviet treaty was purely defensive, that Moscow did not object to Japan's possessing necessary defense forces, and that it was an "absolute lie" that Moscow wanted Tokyo to sever its relations with the United States. Two days later, Molotov reiterated the theme but stated that the initiative must come from Japan.

An Izvestia editorial on 22 December conceded that while Moscow and Peiping did not approve of the San Francisco treaty, it was not an obstacle to the resumption of diplomatic ties. A week later Peiping joined in, amplifying in a People's Daily editorial previous hints from Chou En-lai that Japanese ties with the United States need not bar a Japanese diplomatic exchange with China and the USSR.

Despite Foreign Ministry efforts to clamp down on Hatoyama's opportunistic political utterances, the prime minister's initial flirtation with the Orbit has apparently set off a chain reaction which is giving continued impetus to the existing trend toward closer relations with the Communist world.

The danger of having the question of Japanese-Orbit relations as a campaign issue has been demonstrated by recent reports that the popular response to Hatoyama's pronouncements has exceeded the most optimistic expectations of his party. This probably precludes any toning down of the issue.

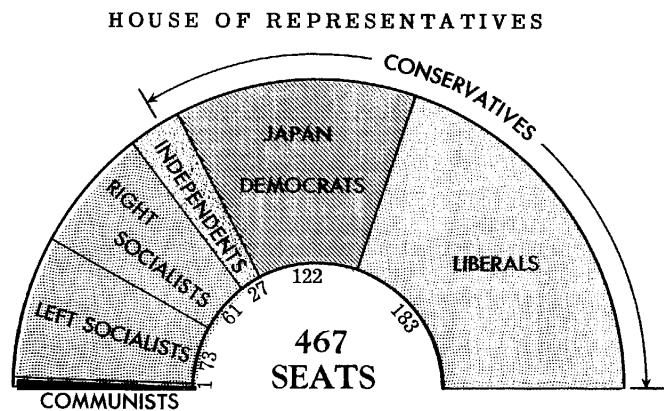
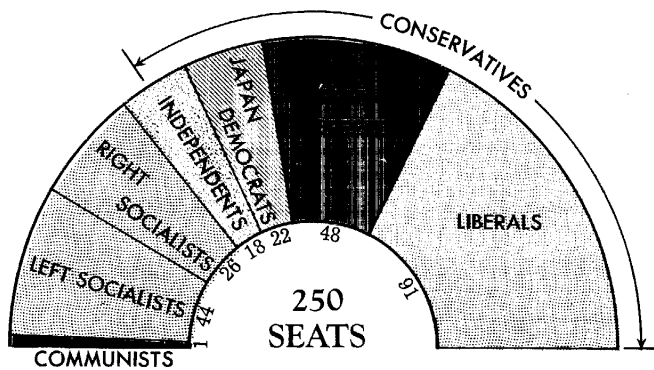
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By raising public hopes, Hatoyama and his Democrats will force the next government to do something tangible--which can only benefit the Orbit. Aware of this situation, Moscow may well have decided to wait for the formation of a new government before making a formal bid for relations.

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AIR BASE NEGOTIATIONS WITH PORTUGAL EXPECTED TO BE DIFFICULT

Portugal has already indicated that it will be a tough bargainer in the negotiations, expected to start in February, over air base rights for the United States in the Azores and the Cape Verde Islands. Lisbon has shown considerable resentment over the American refusal to take a stand on the Goa dispute. It is also continuing its efforts to obtain more jet fighters and will probably drag out the negotiations till it feels sure it has extracted the maximum concessions possible on these points.

Portugal's relations with the United States have deteriorated markedly in the past six months, largely because of Lisbon's annoyance at Washington's refusal to give it open support in the Indian-Portuguese dispute over Goa. This trend could pose serious difficulties for the attainment of those American defense objectives in Western Europe which depend on Portuguese co-operation in military planning. Important among these are air base rights in the Azores and Cape Verde islands. While the Portuguese may be expected ultimately to comply with American requests for the continued availability of the bases, their readiness to make concessions will be largely governed by their interpretation of developments affecting their holdings in India.

The 1951 agreement giving the United States air base facilities in the Azores expires 31 December 1956. The proposed renewal would provide for an expansion of American installations and manpower at Lagens air base on Terceira Island, but the Portuguese have strongly opposed any substantial peacetime increases in American personnel and seem to fear Washington's ultimate intentions in the Azores. The United States has also expressed interest in negotiating an agreement, completely separate from that on the Azores, for the use and development of an additional air force installation at Sal Island in the Cape Verde group.

The Portuguese have tied the Azores issue to a request for two additional squadrons of jet planes for their air force. Of the three squadrons of F84 G's called for under the MDAP program for Portugal, two have already been delivered and a third is scheduled for delivery this year, but Lisbon seeks two more on the ground that the construction of NATO air bases in continental Portugal will make the country a wartime target.

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The Portuguese are also likely, in the course of the negotiations, to try to secure from the United States a pledge of some sort to discourage any future Indian aggression against their possessions on the subcontinent. Probably the least that would satisfy the Portuguese would be a strong public statement by the US, voicing disapproval of India's handling of the question.

Another handicap to successful negotiation is the long-standing feeling of the Portuguese that American foreign policy and defense planning considers them a satellite rather than a partner to which their past greatness as a colonial power entitles them. This injured pride was reflected last fall in a public comment by Foreign Minister Cunha on the frequent turnover in American ambassadors to Lisbon.

The American embassy in Lisbon believes that the Portuguese will prolong the negotiations until the eleventh hour to satisfy themselves that world conditions warrant renewal of the Azores agreement. A possible new pretext for stalling has appeared within the past few days from the report that Defense Minister Santos Costa will leave his post in the near future as the result of personal differences within his ministry. ✓

The Portuguese are not unwilling to co-operate with the United States, as is evidenced by their recent conclusion of a safehaven agreement covering the wartime evacuation of American civilians from northern Europe through their country and Spain. However, they seem intent on obtaining some satisfaction on two points: (1) a pledge of American moral support for their position in India, and (2) treatment as a power worthy of NATO membership--which entails, they believe, possession of a modern air force.

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PHILIPPINE CONGRESSIONAL SESSION POSES NEW THREAT TO MAGSAYSAY

The conflict between Magsaysay and the old guard of his party is likely to flare up again when the Philippine congress meets on 24 January. The president's tendency to appease these elements is resulting in growing disillusionment among those who viewed his election as beginning an era of widespread reform.

The administration has announced no important new legislative proposals. Its main effort on the domestic side will be to get the budget approved. Congressional criticism of the president's appointment of army officers to key posts and the use of troops for public works construction suggests that the defense budget in particular will have rough going.

Also scheduled is new legislation to implement agrarian reforms already enacted and a review of the highly controversial act of last year which ordered Filipinization of retail trade. In order to get any action, the president will probably yield to congressional demands for larger releases of "pork barrel" funds, at the expense of national economic development.

Pending in the foreign policy field are ratification of the Manila pact, of the trade agreement with the United States, and further talk, if not action, regarding a reparations settlement with Japan. Senator Recto, the president's party colleague and most vocal critic, is the chief stumbling block. He has expressed reservations regarding the Manila pact, opposes the trade agreement, and, more than anyone else, is responsible for failure to reach a settlement with Japan.

In certain instances, Magsaysay has succeeded in countering Recto by working closely with other congressional leaders. Senator Laurel, whose views resemble Recto's, has several times been moved by party loyalty to support the president. Magsaysay's tendency, however, is to avoid conflict. He has not reopened long-delayed negotiations with the United States on the title to American bases in the Philippines, believing this sensitive issue would provide his critics with a new weapon. He agreed to recognize Cambodia and Laos only with the approval of a "council of leaders" drawn from the congress.

With nearly three years of his term ahead, Magsaysay seems satisfied that his popular support is still strong. He appears not overly concerned by his failure to fulfill his campaign promises. There is increasing criticism of him in the Manila press, however, and growing disillusionment among the civic-minded groups which supported him in his campaign.

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SECRET**AMERICAN POSITION IN ICELAND CONTINUES DIFFICULT**

There has been no basic improvement in the American position in Iceland, despite the revision last May of the bilateral defense agreement of 1951 in line with Icelandic suggestions. The Conservative-Progressive coalition government remains officially committed to co-operation with NATO and the United States, but anti-American sentiment appears to be growing. The Communists have scored recent successes, and there are indications that a popular front, based on anti-Americanism, may be in the making for the next general elections, scheduled for 1957.

Icelanders consider the local Communists innocuous, despite the fact that they polled almost 17 percent of the popular vote in the 1953 parliamentary elections. What little suspicion there is of the USSR and international Communism has been reduced in the past year by an extensive Soviet cultural offensive, conducted largely under the auspices of the Icelandic-Soviet Society. Trade with the Orbit is increasing, and currently absorbs about one quarter of Iceland's exports. Meanwhile, the dispute with Britain over territorial waters, which in 1952 led to an unofficial British ban on landing fresh fish from Iceland, continues to irritate conservative business elements in Iceland.

The inability of the government to secure loans in the United States for the construction of a cement plant has embittered some officials who feel that Washington blocked loans because the plant would be owned and operated by the government. The USSR and other Orbit countries have indicated willingness to help with the cement plant project.

Most Icelanders are little conscious of their country's ties with NATO, and they tend to regard the 1951 defense agreement as though it were an unrelated bilateral arrangement. Consequently, they look upon the US defense establishment in Iceland as an occupation force rather than as an integral part of their own country's defense set-up.

A combination of Communists and leftist Social Democrats gained control of the Icelandic Federation of Labor in November in a close election, which was marked by ineptness on the part of the democratic trade union elements. As a result, the Communists and fellow travelers have a chance to disrupt co-operation with other Scandinavian labor movements, to disseminate propaganda through federation

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facilities and to exacerbate labor relations at the American air base at Keflavik. The new federation leaders are also planning a vigorous campaign for wage increases, a move which will enhance their standing with labor generally.

The government coalition parties, which control 37 of the 52 seats in parliament, have for the most part done little to counter anti-American propaganda, and the government may find it increasingly difficult to resist growing sentiment against present defense arrangements. Herman Jonasson, Progressive Party leader, even went so far in November as to state in parliament that international developments had been so favorable that Iceland might find it necessary to revise its stand regarding the presence of American military. The same month, five Conservative and Progressive members of parliament introduced resolutions calling for the maximum use of Icelandic personnel at the various radar stations, only a few days after Foreign Minister Gudmundsson had stated that the stations had to be manned by Americans.

The Social Democratic Party, which could be the rallying point for democratic labor elements, holds only six mandates in parliament, and its very existence is threatened by a serious internal cleavage. Although the right-wing element regained control at the party's convention last September, left-wing elements, under the leadership of Hannibal Valdimarsson, party chairman from 1952 to 1954 and new president of the Icelandic Federation of Labor, co-operated openly with the Communists at the federation's convention in November. Younger elements of the Social Democratic Party have recently joined with the Communists and National Defense Party members in forming a society to work for a withdrawal of all American forces. The Reykjavik Social Democratic Debating Society has started a publication devoted largely to the same objective.

The Communist Party, which has seven seats in parliament, has announced its intention of creating a popular front.

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These developments, while not posing an immediate threat to the present coalition government, foreshadow further difficulties for the United States in Iceland.

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NATIONAL FRONT TACTICS OF THE INTERNATIONAL COMMUNIST MOVEMENT

There are indications that the Communist national front strategy, which has been applied with increasing success during the past year outside the Orbit, will continue to supplement the Soviet foreign policy of "peaceful co-existence." While the techniques vary slightly from area to area, the strategy's purpose is the same everywhere--i.e. to strengthen neutralism and, if possible, to create an atmosphere of acceptance of Soviet "peace" policies and fear of American "imperialism."

In underdeveloped areas, the strategy has called for an alliance of the "four friendly classes"--workers, peasants, petty bourgeoisie and those other elements of the bourgeoisie who oppose imperialism. To this is sometimes added a fifth "class," the intelligentsia. "Imperialism," primarily American, is used as the catalyst for this union. R. Palme Dutt, a British Communist, influential in Indian Communist circles, has attributed the concept of the "four friendly classes" to Chinese Communist experience, which has "shown the way to build the national front" in underdeveloped areas. This concept was written into the programs of the Indian and Iraqi parties in December 1953 and January 1954, respectively, and generally characterizes party activity in the Near East and Southeast Asia.

The application of the strategy to Latin America was clearly indicated in a Kommunist article, published in Moscow in 1954, which criticized a book issued by the Soviet Academy of Sciences in 1953 for incorrectly treating large sections of the bourgeoisie as allies of imperialism. In November, the new line of the national front of the four classes was proclaimed by the Brazilian party congress.

In Western Europe and Japan, greater political maturity has limited the application of the national front strategy. Communist statements stress not an alliance of the four classes but rather the unity of all forces interested in peace, neutralism and nationalism, based on the leadership of the working class. A growing number of appeals have been directed to Socialists who are praised for their neutralist tendencies.

During 1954 these tactics were pushed with mounting vigor--in some cases seeming to go farther in seeking temporary alliances with traditional enemies than did the

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popular fronts of the 1930s.

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Communist labor leaders in Catholic areas have been instructed to work with Catholic trade union elements and to avoid offending their religious views. In September 1954, Tudeh cells in Iran were told to follow a "new policy" of participating in religious ceremonies and of ceasing antireligious appeals.

Purged party members have been allowed to return to the fold, and overtures have been made to heretical groups which traditionally have incurred Communist enmity. The new program adopted at the Spanish Communist Party congress last November included a provision for the collective admission of anarchists and other "outcast" left-wing groups.

In Greece, Communist cadres participating in the anti-government popular front during the recent municipal elections were instructed to co-operate loyally with other members of the front. Following the elections, the Greek Communist Party withdrew its party program, announcing that this program, particularly those aspects describing Socialism and Popular Democracy as an immediate goal, might impede the further development of the united front.

The Japan Communist Party, in addition to its efforts to unite with the two Socialist parties and the extreme left-wing Labor-Farmer Party, proclaimed, in a 1 January article in Akahata, that all people are calling for the unification of the "Democratic Forces" and publicly promised self-criticism to eradicate all traces of "extreme leftism."

During the past year, an unusually large number of high-level meetings of national and international Communist organizations have been called to educate the membership in avoiding the ideological and tactical pitfalls of the united front strategy. "Militant" comrades who chafe at the demand that revolutionary objectives be shelved, are reminded that the national front, now the most urgent party priority, is a step toward Socialism. "Rightist" comrades, whose propensity for co-operation with the bourgeoisie threatens ideological orthodoxy, are warned that Communist organizations must not be submerged in the

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front and that ideological discipline must be improved. All are told that the front will become meaningless unless it is solidly based on a worker-peasant alliance led by the Communist Party.

The success the Communists have had with national front tactics suggests that the strategy will be continued in underdeveloped areas and, at least for the present, in Western Europe.

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